

Divorce And Your WRS Benefits (For Non-Annuitants)



Department of Employee Trust Funds

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Topics Covered

- Reference Materials
- Commonly Asked Questions
- General Information
 - Overview of Qualified Domestic Relations Orders (QDROs)
 - When ETF receives a QDRO - Processing
- Death Benefits and Beneficiaries
- Effects on Open Accounts (Non-annuitants)
 - Benefits Available
 - Calculating Benefits
 - Applying for Benefits

REFERENCE MATERIALS

Available on our Web
site and as links in this
presentation



COMMONLY ASKED QUESTIONS

- I'm getting divorced, what will happen to my WRS benefits?
- Does my account HAVE to be split?
- Can I buy back service lost from my QDRO?
- How long will it take to split my account?
- If I received a WRS account from my former spouse, when can I take a benefit, and how much will I get?

GENERAL INFORMATION

OVERVIEW

The Basics of Qualified
Domestic Relations Orders (QDROs)

GENERAL INFORMATION

ETF can divide a Participant's WRS account between the Participant and the former spouse (Alternate Payee)

- For marriages legally terminated after 1981
(divorce, annulment or legal separation)

and

- Upon receipt of a
***Qualified Domestic
Relations Order***
(QDRO)



GENERAL INFORMATION

QDRO must be an original or certified copy

- To assure QDRO meets all requirements in WRS law

- Use the QDRO forms that we provide

ET-4926 - *Order to Divide Wisconsin Retirement System Benefits - Wisconsin*

ET-4935 - *Foreign Jurisdiction Order to Divide Wisconsin Retirement System Benefits (if marriage not terminated in a Wisconsin court)*

Both are available on our Internet site

GENERAL INFORMATION

A QDRO must divide an account by a percentage (%) only

- No dollar amounts
- The percentage cannot exceed 50% of the total account value as of the “decree date”
 - *Decree date (defined by statute) is the “first day of the month in which the marriage is legally terminated”*

GENERAL INFORMATION

Effects of Law

The WRS is a public retirement plan and is **not** subject to these Federal Laws

- Employee Retirement Income Security Act (ERISA)
- Retirement Equity Act

GENERAL INFORMATION

The effects of a QDRO on a Participant's account and the benefits payable to an Alternate Payee depend on when the divorce occurred and the WRS account status on the decree date

- **Active account**
- **Inactive account**
- Annuity

GENERAL INFORMATION

QDROs apply only to a Participant's account

- Based on the service, earnings and contributions from WRS employment

WRS benefits as a beneficiary or Alternate Payee are never affected by a QDRO

GENERAL INFORMATION

Fund Participation

If Participant has funds in the Variable Trust Fund, the Alternate Payee does as well

- The Alternate Payee can cancel Variable participation at any time
- Contact ETF for a Variable cancellation form

If Participant is not enrolled in the Variable Fund, all funds will be in the Core Trust Fund only

GENERAL INFORMATION

Required QDRO Language

- The Participant's name, birthdate, current address and Social Security number (SSN)
- The Alternate Payee's name, birthdate, current address and SSN
- The WRS must be *specifically* named
- The QDRO must specify the decree date as the date to be used for valuing and dividing the account or annuity

GENERAL INFORMATION

Required QDRO Language

- The QDRO must award a percentage, not to exceed 50%, of all parts of the Participant's account as of the decree date
 - The percentage (%) may be specified up to two decimal places; example, 33%, 33.3%, 33.33%
- The QDRO must require the Participant to certify all active military service (or provide an affidavit on a form provided by ETF)

GENERAL INFORMATION

What happens when ETF receives a
QDRO?

GENERAL INFORMATION

Upon Receipt of a QDRO

- ETF reviews it to verify all statutory requirements are met (Valid QDRO)
 - If the QDRO contains provisions prohibited by WRS law, **or**
 - Does not meet statutory requirements **or**
 - Is invalid for any other reason, **then . . .**



It is “REJECTED” and returned to the court/party who submitted it

GENERAL INFORMATION

SAMPLE QDRO FORM

ET-4526 (Front)

Determines
Decree Date



STATE OF WISCONSIN CIRCUIT COURT, BRANCH _____, _____ COUNTY

In re the marriage of: _____ and _____ _____ Petitioner, _____ Respondent.	ORDER TO DIVIDE WISCONSIN RETIREMENT SYSTEM BENEFITS Qualified Domestic Relations Order Wis. Stat. § 40.08 (1m) Case No. _____
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TO: Department of Employee Trust Funds
P.O. Box 7931
Madison, WI 53707-7931

SAMPLE

NOTE: DO NOT ALTER THIS FORM. ALTERED FORMS MAY BE REJECTED.

NOTWITHSTANDING ANY CONFLICTING OR CONTRARY PROVISIONS IN THE FINAL JUDGMENT DECREE OR ORDER TERMINATING THIS MARRIAGE, OR IN ANY PRIOR DOMESTIC RELATIONS ORDER, THE COURT FINDS:

- A. **PARTICIPANT & PARTICIPANT'S EMPLOYER:** The ☐ Petitioner ☐ Respondent (Check One) (hereinafter referred to as the "Participant") is/was employed by _____ (Employer name) (hereinafter called the "Participant's Employer"), a participating employer under Wis. Stat. Chapter 40.

(Note: if both the Petitioner and Respondent are participating employees whose WRS benefits are to be divided, use a separate Order for each.)

- B. **TERMINATION OF MARRIAGE:**
On _____ (date), the marriage between the Participant and his/her spouse (hereinafter referred to as the "Alternate Payee"), was terminated by this court under a final judgment, decree or order issued under Wis. Stat. § Chapter 767.

- C. **DESCRIPTIONS:**

PARTICIPANT	ALTERNATE PAYEE
Name (Last, First, MI)	Name (Last, First, MI)
Social Security Number	Social Security Number
Birthdate (MM/DD/YYYY)	Birthdate (MM/DD/YYYY)
Last Known Mailing Address:	Last Known Mailing Address:

- D. **PERCENTAGE:** The Alternate Payee is awarded _____ % (insert single percentage with no more than two decimal places and not to exceed 50%) of the value of all parts of the Participant's account as of the decree date. This cannot be a dollar figure.

(More Information on Back)

GENERAL INFORMATION

SAMPLE QDRO FORM

ET-4526 (back side)

Required language

Judge's original signature
(or certified by Clerk of
Courts)

UPON THE ABOVE FACTS, IT IS HEREBY ORDERED THAT:

1. Hereinafter, the "decree date" shall be the first day of the month in which the marriage of the parties was terminated.
2. Within 30 days of a request by the Department of Employee Trust Funds, and in any event within 45 days of this Order, the participant shall certify and prove personal active duty military service or provide an affidavit of no military service (ET-4322) to the Department of Employee Trust Funds, P.O. Box 7931, Madison, WI 53707-7931, in the form prescribed by the Department. It is strongly recommended that the military affidavit be submitted with the QDRO to ensure prompt and accurate division of the participant's account and avoid potential delays in benefits for both parties.
3. Within 30 days of receipt of a written request from the Department of Employee Trust Funds or a copy of this Order, the Participant's Employer shall submit to the Department of Employee Trust Funds a report of the earnings, service and contributions of the Participant, in the form specified by the Department. The report shall include all of the Participant's earnings, service and contributions through the day before the decree date that have not previously been reported to the Department.
4. After receipt of the above certification of military service and report of earnings, service and contributions, the Department of Employee Trust Funds shall value the Participant's benefits under the Wisconsin Retirement System as of the decree date and divide those benefits as provided under Wis. Stat. § 40.08 (1m), using the decree date and percentage awarded to the Alternate Payee.
5. Neither the Participant nor Alternate Payee shall have any ownership or control of the benefits distributed to the other as a result of this order and operation of Wis. Stat. § 40.08 (1m).
6. There shall be no division or payment of benefits which are required to be paid to the Internal Revenue Service under a lien placed on the Participant's account under 26 U.S.C. 64.
7. There shall be no benefits paid to the Alternate Payee which are also required to be paid to another alternate payee.
8. There shall be no payment of benefits exceeding in value those benefits to which the Participant is entitled on the decree date.
9. The Department of Employee Trust Funds is not required to:
 - a. Enforce or otherwise monitor the benefits assigned to the Alternate Payee under Wis. Stat. § 40.08 (1m).
 - b. Take any action or make any notifications as part of the exercise of ownership rights granted under Wis. Stat. § 40.08 (1m).
 - c. Enforce or otherwise monitor any beneficiary designation specified in any agreement of the parties or in the judgment, decree or order terminating this marriage.
10. This Order is intended to be a Qualified Domestic Relations Order as defined by Wis. Stat. § 40.02 (48m). It supercedes any previous order to divide the Participant's Wisconsin Retirement System benefits issued in connection with the termination of this marriage, including the judgment, decree or order terminating the marriage.

Dated this _____ day of _____, 20____

BY THE COURT

Judge's Signature

Print name of Judge

NOTE: The judge's signature, certification or court stamp must be original or it will be rejected and returned.

Distribution of Copies: Original to Court file; **Certified** copy to Department of Employee Trust Funds; Copy to Petitioner; Copy to Respondent; Copy to Participant's Employer.

GENERAL INFORMATION

Dividing Open Accounts

GENERAL INFORMATION

Dividing Open Accounts - Military Service

Participants with active or inactive accounts:

- ETF sends a *Military Service Affidavit-QDRO* form (ET-4322) to Participant
 - Purpose is to certify any active military service and
 - If it will be used for credit in any federal retirement
- Form must be notarized and returned to ETF with copy of discharge papers (if applicable)



GENERAL INFORMATION

Dividing Open Accounts

- If Participant actively employed under the WRS
 - ETF sends a form to his/her employer for certification of:
 - Unreported Service
 - Earnings
 - Contributions
 - Upon receipt of these forms, the account is split



GENERAL INFORMATION

Dividing Open Accounts

- What parts of the account are divided?
 - The Participant's money balances
and
 - All creditable service
- A separate account is created for the Alternate Payee



Total Years of Creditable Service =	25
<u>After split</u> Participant	12.5
Alternate Payee	12.5

GENERAL INFORMATION

Dividing Open Accounts

After the account is divided each
party receives a

Statement Of Account After Division
(ET-4924)

It shows account balances and total
creditable service for each

GENERAL INFORMATION

Statement Of Account After Division

The amounts below reflect the account balances as of the decree date, after division pursuant to the QDRO. This is not a benefit application. Contact this office for an application form when you want to apply for a benefit.

Participant Name (Last, First, MI)	Alternate Payee Name (Last, First, MI)
Participant Social Security Number 1.	Alternate Payee Social Security Number 2.
Decree Date OCT 01 2007	Percentage of Account(s) Awarded to Alternate Payee 50.00 %

CREDITABLE SERVICE AS OF DECREE DATE

	Employment Category	Actual Years Service			Potential Military Service *			Category	Years of Service		
		Pre-2000	Post-1999	Total	Pre-2000	Post-1999	Total		Pre-2000	Post-1999	Total
Participant's Service Before Division:	Teacher	10.41	7.69	18.10				Teacher	5.20	3.84	9.04
3.											
Participant's Service After Division:	Teacher	5.21	3.85	9.06							
4.											

Alternate Payee's Service After Division (includes Military Service)

* Eligibility based only on actual years of service as of decree date.


ACCOUNT BALANCES AS OF DECREE DATE

SEPARATION BENEFIT BALANCE (Note: No amount is shown if you are not eligible for a separation benefit.)			
PARTICIPANT		ALTERNATE PAYEE	
Fixed	Variable	Fixed	Variable
\$ 31,013.00	\$ 5.	\$ 31,012.99	\$ 7.
6. PARTICIPANT MONEY PURCHASE BALANCE ALTERNATE PAYEE			
Fixed	Variable	Fixed	Variable
\$ 62,026.04	\$	\$ 62,026.03	\$

GENERAL INFORMATION

Annual Statement Of Benefits

Every year after the split, each party receives an *Annual Statement Of Benefits*

NATURAL RESOURCES, DEPT OF GEF 2 5TH FLOOR MADISON WI 53702				DEPARTMENT OF EMPLOYEE TRUST FUNDS WISCONSIN RETIREMENT SYSTEM (WRS) ANNUAL STATEMENT OF BENEFITS January 1, 2007 IRS Codes: 401(a) & 403(b)	
0001-114		370-000-8887		Review carefully. The amounts shown reflect our records as of 1/1/2007 and may be subject to corrections. Strict time limits apply to corrections or appeals concerning WRS accounts, service history, earnings, contributions and other records. Keep this document with your important personal records.	
		179026			
ACCOUNT INFORMATION					
SSN XXX-XX-5222 Birthdate 9-01-1956					
2006 Earnings and Service					
These are earnings and service as reported by your WRS employer for the calendar year just prior to the date of this statement. Earnings and service for Teachers/Judges/Educational Support Personnel are also shown for the fiscal year.					
Category	Year	Earnings	Years of Service		
GENERAL	2006	\$66,828.03	1.00		
Years of Creditable Service as of 1/1/2007					
Category	Before 2000	After 1999	Total Service		
GENERAL	22.13	7.00	29.13		
Total Years of Creditable Service:					
	22.13	7.00	29.13		
Employee Required Contributions					
Core: 9.8% Variable: 18.0%					
Total employee contributions plus interest as of the date of this statement.					
	Core	Variable	Total		
1/1/2006 Balance	\$195,763.72	\$9,323.97	\$205,087.69		
2006 Interest	\$19,184.84	\$1,678.31	\$20,863.15		
2006 Contributions	\$1,670.70	\$1,670.70	\$3,341.40		
Adjustment	\$0.00	\$0.00	\$0.00		
1/1/2007 Balance	\$216,619.26	\$12,672.98	\$229,292.24		
Non-taxable portion of employee contributions (Investment in Contract):			\$1,644.49		
Additional Contributions					
Core: N/A	Employee Additional		Tax-Deferred		Employer Additional / LTDI
Variable: N/A	Core	Variable	Core	Variable	Core Variable
1/1/2006 Balance					
2006 Interest					
2006 Contributions					
Adjustment					
1/1/2007 Balance					
Non-taxable portion of employee contributions (Investment in Contract):					
CONTINUED ON BACK					

GENERAL INFORMATION

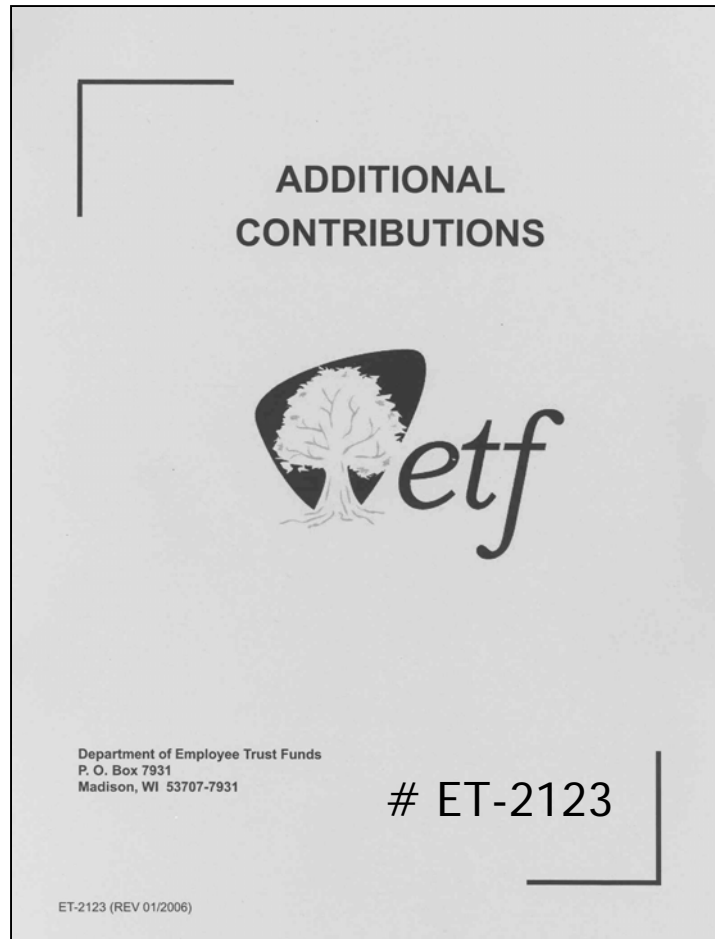
Recovering Lost Service and Contributions



- There are no provisions in WRS law that permit participants to
 - Repay lost contributions
 - or
 - Purchase years of service lost through a QDRO
- Service and contributions are permanently lost to the Participant

GENERAL INFORMATION

Rebuilding your WRS Account



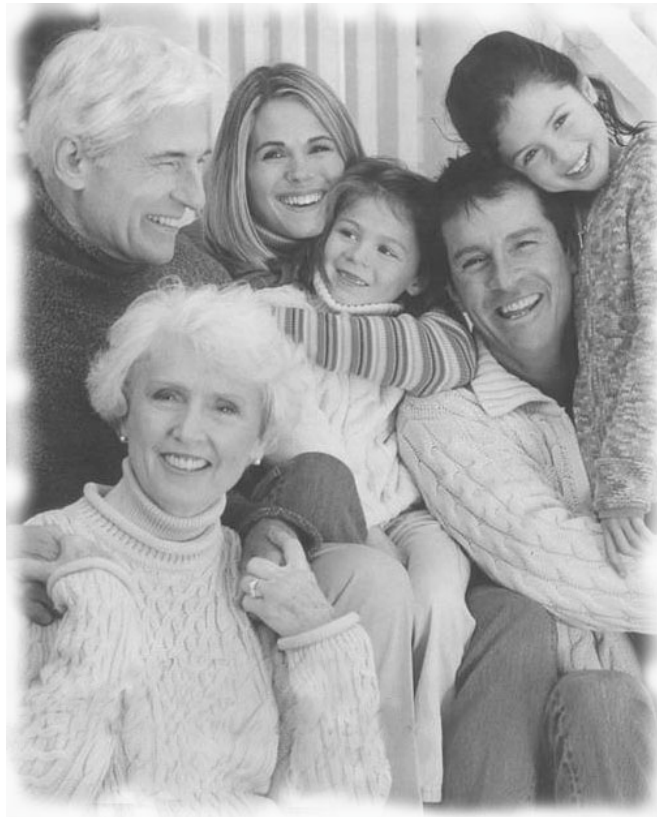
Active Participants only

To help make up for the loss of contributions as a result of a QDRO . . .

Consider making
Additional Contributions!

See webcast on
Additional Contributions

Death Benefits and Beneficiaries



BENEFICIARY DESIGNATIONS

When a Participant's *account*
is divided . . .

The Participant and Alternate Payee can each
name beneficiaries to receive any death benefits
payable

Beneficiaries can be changed **ANY TIME**

DEATH BENEFITS AND BENEFICIARIES

Death benefits are ALWAYS paid based on the most recent beneficiary designation on file at ETF

**Beneficiary designations
do not change automatically
when significant life events occur
(such as a divorce or remarriage)**

- Changes to your designation **MUST** be made on the form approved by ETF
- If no beneficiary on file, death benefits are paid based on *Statutory Standard Sequence*

EFFECTS ON OPEN ACCOUNTS

Benefit Calculations

EFFECTS ON OPEN ACCOUNTS

Benefit Calculations

Remember . . .

A QDRO divides **both** the

MONEY BALANCES and CREDITABLE SERVICE in

the Participant's account and the specified percentage is transferred to a separate account for the Alternate Payee

So . . . that affects both the "Formula"
and "Money Purchase" retirement
calculations

EFFECTS ON OPEN ACCOUNTS

Benefit Calculations

Money balances are used to calculate the Money Purchase retirement benefit for either party

- The percentage transferred applies to ALL contributions

When calculating benefits:

- The Alternate Payee balance includes only the balance transferred and interest earnings
- The Participant balance includes contributions and interest credited to the account AFTER the decree date

EFFECTS ON OPEN ACCOUNTS

Benefit Calculations

Creditable Service

- The percentage of service *transferred* is used to calculate the Formula retirement benefits for the *Alternate Payee*
- The *Participant's remaining* service, plus service *earned* after the decree date is used to calculate a retirement benefit (or disability retirement if applicable)

EFFECTS ON OPEN ACCOUNTS

Benefit Calculations

Creditable Service And Age Reduction

- Normal retirement age (NRA) is when there is NO reduction applied to a formula benefit
- An annuity that begins before NRA is “reduced” because it is expected to be paid longer
 - When calculating the age reduction (for either party) – it is determined as though the Participant's service was **not** reduced through a QDRO

EFFECTS ON OPEN ACCOUNTS

Benefit Calculations

Final Average Earnings (FAE)

- The Participant's FAE is not affected by a QDRO
 - Formula retirement benefits are based on the actual FAE at the time the Participant's benefit begins
 - The Alternate Payee's formula benefit is also based on the Participant's FAE on the Alternate Payee's retirement benefit begin date

BENEFITS AVAILABLE

Open Accounts

ALTERNATE PAYEE

BENEFITS AVAILABLE

Alternate Payee

- The Alternate Payee can apply for a benefit at any time
 - Regardless of age or employment
 - Alternate Payee must request the application from ETF (unless Participant previously retired)
 - Application must be received and processed before payment can be made

BENEFITS AVAILABLE

Alternate Payee

Benefit rights available to the Alternate Payee are the same as a Participant *who has terminated WRS employment*

- The account is considered inactive

IMPORTANT . . .

- Death benefits on inactive accounts include only the employee required and any additional contributions

BENEFITS AVAILABLE

Alternate Payee

If the Alternate Payee also has their own WRS account

- The Alternate Payee account will be separate
 - The two accounts are NEVER combined
- Benefits are calculated separately and require separate applications

BENEFITS AVAILABLE

Alternate Payee

If the Participant is **under** minimum retirement age (MRA) (55 or 50)

- Eligible for **Separation Benefit**
 - Until the Participant is 55 (or 50)
 - Benefit includes only the employee required and additional contributions
 - Employer contributions and all service are forfeited
 - All rights to a future **retirement** benefit are forfeited
 - Lump sum payment only - account is closed

BENEFITS AVAILABLE

Alternate Payee

If the Participant is **at least** MRA

- Eligible for **Retirement Benefit**
 - Benefit includes full account value (unless Participant is not vested)
 - Benefit is calculated under both the formula and money purchase methods
 - ETF pays the higher amount

If account is very small, may only be eligible for a lump sum vs. a monthly lifetime annuity

CALCULATING BENEFITS

Open Accounts

Alternate Payee



CALCULATING BENEFITS

Alternate Payee

- A formula benefit is calculated using:
 1. The Participant's final average monthly earnings (FAE) when the Alternate Payee's retirement benefit begins
 2. Formula factor(s) based on employment category of the service granted in the QDRO
 3. Years of service granted in the QDRO
 4. Age reduction factor based on the Alternate Payee's age (if applicable)

CALCULATING BENEFITS

Alternate Payee

- A money purchase benefit is calculated using:
 1. The Alternate Payee's age when his/her benefit begins
 2. The dollar amount (s) in the account
(Annuities from Voluntary Additional Contributions are also calculated under the money purchase method)

More information about formula and money purchase calculations
is in the *Calculating Your Retirement Benefits* brochure
(ET-4107)

APPLYING FOR BENEFITS

Open Accounts

Alternate Payee

APPLYING FOR BENEFITS

Alternate Payee - Open Accounts

- Alternate Payee should contact ETF for an application
 - If eligible for a **retirement benefit** (monthly annuity)
 - ETF provides an estimate/application showing all 3 payment options available
 - Request estimate/application several months before the expected begin date
 - Application processing time - approximately 6 weeks
 - If only eligible for **lump sum benefit**, can take 90 days or more to process

APPLYING FOR BENEFITS

Alternate Payee - Open Accounts

- If under age 62 when benefit begins, accelerated payments may be available
 - These payments provide an “accelerated” (extra) monthly benefit until age 62 when eligible for Social Security (SS) benefits
 - After age 62 the accelerated (extra) amount stops, and is expected to be “replaced” by your SS benefit

Intent of accelerated payments

The “before age 62 annuity” would be about the same as the after 62 income from SS and the WRS combined

APPLYING FOR BENEFITS

Alternate Payee - Open Accounts

Special Caution

If an Alternate Payee is eligible for and chooses an accelerated payment option, it could result in a significant decrease in your total income at 62

(Contact ETF with questions)

CONCLUSION



The End